ANNUAL REPORT 2000

PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION COMMISSION

DEPARTMENT OF EDUCATION

FOR THE SCHOOL YEAR ENDING

JUNE 30, 2000

102-04744/

TO HIS HONOUR
THE HONOURABLE GILBERT CLEMENTS
LIEUTENANT GOVERNOR OF THE PROVINCE
OF PRINCE EDWARD ISLAND

MAY IT PLEASE YOUR HONOUR

I have the honour to submit herewith the annual report of the Prince Edward Island Teachers' Superannuation Commission for the school year ending June 30, 2000 including certain tables, reports and other matters containing information relative to the administration of the Prince Edward Island Teachers' Superannuation Act.

I have the Honour to be, Sir
Your Obedient Servant

Jeffrey E. Lantz
Minister of Education

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2. Report of the Auditor-General

Members - P.E.I. Teachers' Superannuation Commission for the period July 1, 1999 to June 30, 2000.

Elaine Noonan [1] (chair)

Michel Plamondon [2]

John Rogers [2]

Pamela Shaw [2]

Gar Andrew [1]

Ken MacRae [1]

Terry Hogan [3]

1. Appointee of Minister of Education
2. Appointee of P.E.I. Teachers' Federation
3. Appointee of the Provincial Treasurer

Secretary to the Commission - Ronald F. Rice to March 2000

CHAPTER 13

An Act to Amend the Teachers' Superannuation Act

(Assented to June 14, 2000)

1. Section 16 of the *Teachers' Superannuation Act* R.S.P.E.I. 1988, Cap. T-1 is amended

(a) in subsection (1) by the insertion of the following clause:

(b.1) subject to subsection (1.1), every person who, upon reaching the age of fifty-five years, has at least five years but less than thirty years of teaching service and makes written application for the pension;

(b) by the insertion of the following subsection:

Reduced pension calculation

(1.1) A pension payable pursuant to clause (1)(b.1) shall be reduced by the lesser of

(a) one quarter per cent for each full month between the date of actual retirement and the date the person reaches the age of sixty years; or

(b) one quarter per cent for each full month between the date of actual retirement and the date the person would reach thirty years of service,

from the pension that would otherwise be calculated if the person were age 60.

(c) in subsection (3), by the deletion of the words "clause (1)(b)" and the substitution of the words "clause (1)(b) or (b.1)".

APPLICATIONS FOR SUPERANNUATION

During the period July 1, 1999 to June 30, 2000 the following applications for superannuation were approved:

NAME	DATE OF BIRTH	AUTHORITY	ANNUAL ALLOWANCE	EFFECTIVE DATE
Altass, Janet	30/08/49	16(1)(b)	30356	Aug. 30/04
Arnold, Ernestine	12/04/45	16(1)(b)	35368	July 1/00
Arsenault, Leona	14/11/46	16(1)(c)	31210	Sept. 30/00
Carruthers, Ralph	10/10/44	16(1)(b)	29400	July 1/00
Coulson, Walter	13/01/45	16(1)(b)	27562	July 1/00
Cousins, John	24/07/45	16(1)(b)	33274	July 24/00
Deagle, Wendell	21/10/44	16(1)(b)	40481	July 1/00
Dixon, Gerald	22/08/44	16(1)(b)	27617	Feb. 1/00
Gallant, Tilmon	07/04/42	16(1)(b)	43901	Sept. 1/99
Gill, Juanita	11/08/40	16(1)(a)	11126	Aug. 11/00
Gillis, Catherine	25/06/40	16(1)(a)	1575	June 25/00
Hayward, Thomas	27/07/51	16(1)(c)	12414	Jan. 17/01
Horton, Wendy	11/11/60	16(1)(c)	7188	Feb. 11/00
Hutchison, Peter	05/09/45	16(1)(b.1)	15837	Sept. 5/00
Lechowick, Frank	03/08/40	16(1)(a)	24769	Aug. 3/00
McCarville, Rex	23/03/45	16(1)(b)	27608	July 1/00
MacDonald, David	26/05/45	16(1)(b)	30263	July 1/00
MacGougan, Percy	04/08/42	16(1)(b)	42777	Sept. 1/99
McGrath, Lourdes	08/03/45	16(1)(b)	31128	July 1/00
Malone, Ray	16/04/42	16(1)(b)	39982	Dec. 11/99
Milligan, Deborah	19/01/54	16(1)(a)	4472	Jan. 19/14
Mullins, Shaaron A.	08/08/47	16(1)(a)	3828	Aug. 8/07
Murphy, P. Allan	05/08/40	16(1)(b)	39561	Sept. 1/99
Muttart, Margaret	29/01/42	16(1)(b.1)	15168	Jan. 13/01
Pineau, Mary	30/07/43	16(1)(b.1)	12749	June 14/00
Power, Patricia A	01/08/43	16(1)(b)	30707	July 1/00
Ramsay, Donald	20/10/44	16(1)(b)	42290	July 1/00
Rayner, Judy	14/05/45	16(1)(b.1)	19412	July 1/00
Richard, Bertha	16/06/42	16(1)(a)	5851	June 16/02
Robbins, Spurgeon	15/02/47	16(1)(c)	29740	Dec. 16/00
Rogerson, Eldon	09/05/41	16(1)(b)	45820	Sept. 1/99
Scott, Jeanette	16/01/43	16(1)(b)	34743	Sept. 1/00
Smith, Annita	23/05/45	16(1)(b)	29400	July 1/00
Smith, Carma T.	30/11/44	16(1)(b)	32421	July 1/00
Solomon, Maureen	29/04/40	16(1)(a)	17242	Apr. 29/00
Taylor-Murray, Anne	19/09/39	16(1)(a)	19480	July 1/00
Wallace, Margaret	07/02/46	16(1)(d)	32156	July 1/00

SUPERANNUATES DECEASED DURING THE PERIOD JULY 1/99 TO JUNE 30/00

NAME	DECEASED	AGE
Evelyn M. Yeo	May 5/99	89
Violet MacEachern	May 28/99	88
Louise Murphy	June 27/99	94
Norman Moase	July 5/99	61
Weston Carmody	July 24/99	64
Donald MacLean	July 25/99	78
Evelyn Perry	August 31/99	82
Mary Malone	Sept. 30/99	92
Margaret Cousins	Oct. 9/99	83
Margaret Murchison	Nov. 4/99	80
Mae Buchanan	Nov. 7/99	86
Susan Batchilder J.	Nov. 22/99	46
Penelope Burke	Dec. 27/99	89
Jeanette M. Hooper	Dec. 30/99	81
Cecelia MacCormack	Jan. 18/00	85
Irene Arsenault	Feb. 3/00	91
Rita Knox	Feb. 5/00	81
Gordon L. Bennett	Feb. 11/00	87
Evelyn Simpson	Feb. 18/00	93
Abigail Stewart	Feb. 23/00	96
Bessie Robertson	March 31/00	90
Hilda MacDonald	April 9/00	88
Mabel Matheson	April 24/00	90
Mary Chaisson	April 26/00	89
Aurore Leblanc	April 29/00	77
Jean C. MacKenzie	May 7/00	84

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

FINANCIAL STATEMENTS

JUNE 30, 2000

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Commissioners of the
Teachers' Superannuation Commission
Province of Prince Edward Island

I have audited the Statement of Net Assets Available for Benefits of the Province of Prince Edward Island Teachers' Superannuation Fund as at June 30, 2000 and the Statement of Changes in Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Teachers' Superannuation Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2000 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

J. Wayne Murphy, FCA
Auditor General

Charlottetown, Prince Edward Island
November 6, 2000

STATEMENT 1

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

as at JUNE 30, 2000

	2000	1999
Assets		
Cash	$ 654,888	$ 408,965
Contributions receivable - employee	2,206	7,693
Contributions receivable - employer	11,970	7,155
Accrued interest & other accounts receivable	3,295	1,421
Short term loan to Province	1,000,000	900,000
	1,672,359	1,325,234
Investments (Note 2b, 3)		
Province of Prince Edward Island Master Trust	280,930,520	245,135,861
Total Assets	$282,602,879	$246,461,095
Liabilities		
Installment buybacks (Note 2c)	5,508	6,006
Accounts payable	603,134	563,737
Total Liabilities	608,642	569,743
Net assets available for benefits	$281,994,237	$245,891,352

(The accompanying notes are an integral part of these financial statements)

ON BEHALF OF THE COMMISSION

COMMISSIONER: _____ C G A

COMMISSIONER: _____

STATEMENT 2

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED JUNE 30, 2000

	2000	1999
INCREASE IN ASSETS		
Investment income		
Interest on investments	$ 8,961,842	$ 8,341,802
Dividends	2,423,813	991,707
Other income	31,210	33,907
	11,416,865	9,367,416
Market value increase (decrease)	20,834,604	(137,463)
Contributions		
Employees' contributions	5,257,060	5,221,493
Employers' contributions	5,257,060	5,221,493
Transfers from other plans	1,683,277	727,568
Buybacks	130,088	203,235
Contribution towards unfunded liability (Note 5)	12,121,202	12,121,202
	24,448,687	23,494,991
Total Increase in Assets	56,700,156	32,724,944
DECREASE IN ASSETS		
Administrative costs	129,718	111,005
Custodial and management fees	751,466	645,618
Refunds	26,477	84,143
Pensions paid	19,409,542	17,550,885
Transfers to other plans	280,068	137,256
Total Decrease in Assets	20,597,271	18,528,907
Increase in net assets	36,102,885	14,196,037
Net assets available for benefits at beginning of the year	245,891,352	231,695,315
Net assets available for benefits at end of the year	$281,994,237	$245,891,352

(The accompanying notes are an integral part of these financial statements)

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

1. Description of Plan

The following description of the Teachers' Superannuation Plan is a summary only. For more complete information, reference should be made to the Teachers' Superannuation Fund.

(a) General
The plan is a contributory defined benefit plan covering teachers as defined under the Teachers' Superannuation Act. Under the plan, employees and the employer make equal contributions of 7.2% on that part of salary on which Canada Pension Plan contributions are made and 9.0% on salary when Canada Pension Plan contributions are not required.

(b) Pensions
Pensions payable are based on the number of years of service times 2% multiplied by the average of the 5 years of the highest annual salary rate on which the teacher made contributions.

(c) Disability Pension
A disability pension is available at any age to a teacher who retires from teaching service because of total and permanent disability who has contributed to the Fund for 5 or more years.

(d) Survivors' Pension
A survivor pension is paid to a spouse and allowances are provided to dependent children of a member who has at least 5 years service.

(e) Death Refunds
If a teacher dies before becoming eligible for a pension, a refund of contributions made plus interest shall be made to their personal representative.

(f) Withdrawal Refunds
Upon application and subject to limitations within the Teachers' Superannuation Act, a person who ceases to teach is entitled to a refund of all contributions made by the individual to the fund.

(g) Income Tax
The plan is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income tax.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation
These financial statements are prepared on the going concern basis and present the aggregate financial position of the plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members.

(b) With the exception of real estate investments which are valued at cost, investments are valued at market value as reported by the custodian of the Master Trust at June 30, 2000.

(c) A past service buyback by installment plan was implemented in September 1983. Under this plan installments are accumulated for individual participants in a special fund until a sufficient amount is available to complete the buyback transaction. At that time the total buyback amount is recorded as a contribution to the Pension Fund.

3. Investments

Investments of the Civil Service Superannuation Fund, MLAs' pension funds, and the Teachers' Superannuation Fund are consolidated into the Province of Prince Edward Island Master Trust. As of June 30, 2000 there were 583,584.207 units held in the Province of Prince Edward Island Master Trust, of which the Teachers' Superannuation Fund held the following:

Units held	235,523.578
Market Value per unit	$1,192.79
Total market value held	$280,930,520

Investments of the Province of Prince Edward Island Master Trust at June 30, 2000 are as follows:

Canadian T-Bills	$ 47,878,057
Other liquid assets	112,942
Bonds, debentures and notes	246,383,914
Canadian equity securities	260,604,203
Foreign equity securities	128,947,275
Accrued income receivable	3,398,185
Real estate	8,769,700
Total	$696,094,276

3. Investments (continued)

The investments of $696,094,276 include amounts which the Master Trust Fund managers have invested in their own pooled funds. The June 30, 2000 market values of these related parties investments are as follows:

Sceptre Investment Counsel Limited	$ 56,865,463
Beutel, Goodman & Company Ltd.	41,610,914
McLean Budden Limited	46,247,327
NewCastle Capital Management Inc.	46,577,763
Templeton Management Limited	48,060,187
	$239,361,654

4. Obligations for Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and best estimate assumptions. The most recent Actuarial Valuation was done as of July 1, 1999 by Morneau Sobeco. The actuarial present value of benefits as at July 1, 1999 and the principal components of change from the previous Actuarial Valuation as at July 1, 1996 were as follows:

Actuarial present value of accrued pension benefits at July 1, 1996	$309,841,000
Interest on actuarial present value of accrued pension benefits	83,186,000
Actuarial present value of benefits accrued in the intervaluation period	23,064,000
Interest on present value of benefits accrued in the intervaluation period	2,927,000
Benefits paid	(50,340,000)
Interest on benefits paid	(6,323,000)
Loss re change in actuarial basis	12,076,000
Loss re change in plan provisions	14,458,000
Net experience loss	3,878,000
Actuarial present value of accrued pension benefits at July 1, 1999	$392,767,000

The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

Asset rate of return	7.9 % per annum
Basic salary escalation rate	4.0 % per annum
Pension cost of living increases	1.8 % per annum

The actuarial asset values used in the valuation were:

Actuarial value of net assets available for benefits	$245,891,000

5. Funding Policy

The employer matches employee contributions to the Fund. Under Section 9(3) of the Teachers' Superannuation Act, all payments required by the Act are guaranteed by the Province of Prince Edward Island. An Actuarial Valuation Report of the Fund as of July 1, 1999 was conducted by Morneau Sobeco. This report indicated there was an unfunded liability of $146.9 million.

The unfunded liability amount of $146.9 million does not include an allowance for the present value of the future contributions noted below. The present value of remaining special contributions required by the Teachers' Superannuation Act as at July 1, 1999 is $49,431,000. If this present value had been considered for the actuarial balance sheet, the unfunded liability at July 1, 1999 would be $97,445,000.

As of March 31, 2000, the unfunded liability after deducting the present value of the remaining special payments is estimated at $93.7 million.

The Teachers' Superannuation Act was amended to reflect that the Province of Prince Edward Island shall pay $129.44 million into the Fund over a period of 10 years for the purpose of reducing the unfunded liability of the Fund. The Act was further amended in 1997 to provide for payments in accordance with the following schedule.

Date of Payment	Amount Payable to Fund
April 1, 1995	$23.60 Million
April 1, 1996	11.76 Million
March 31, 1998*	11.76 Million
April 1, 1998	11.76 Million
April 1, 1999	11.76 Million
April 1, 2000	11.76 Million
April 1, 2001	11.76 Million
April 1, 2002	11.76 Million
April 1, 2003	11.76 Million
April 1, 2004	11.76 Million

*An amount equal to the revenue that would otherwise have been earned for the period April 1, 1997 to March 31, 1998, on the contribution for the 1997-1998 fiscal year that is deferred to March 31, 1999, shall be paid in seven equal annual installments, commencing on April 1, 1998. The installment referred to above is $361,202 per year.